

TSB Bank plc v Camfield [1995] 1 WLR 430

The case of liability misrepresentation when taking a loan for a business.

Evidence

C. acted as security for a loan when her husband borrowed money from a bank for his own business. The husband has misrepresented the liability of his enterprise, as he said it made £15,000. In fact, the liability was unlimited. The bank gave the couple £30,000 due to this claim, and the total sum of the loan with future advances reached £47,000. When the husband's business failed, the bank demanded the marital home and repayment of the owed money. The husband was ordered to repay the owed sum in full and the wife to pay £15,000 in damages and transfer the possession of the couple's marital house. The wife appealed the decision of the court.

Problematics

The task of the court was to find out whether the security provided by the wife to the bank was void under the condition of the innocent misrepresentation of the husband. Otherwise, the bank can claim possession of the marital house and demand the repayment of the debt from both the husband and wife.

Resolution

The court decided in favor of the wife. She was allowed to appeal the initial decision of the trial. According to the information misrepresented by the husband, the liability to the bank was limited to £15,000. The wife was able to break the agreement with the bank. Another decision of the court was for the wife to have a right to cancel the charge against the marital house.

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